

The Borden Company

AND ALL SUBSIDIARY COMPANIES

THIRD ANNUAL REPORT

For the fiscal year ended December 31, 1921

March 1922 · THE BORDEN COMPANY · *New York*

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AND ALL SUBSIDIARY COMPANIES



THIRD ANNUAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1921



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THE BORDEN COMPANY
New York

THE BORDEN COMPANY

DIRECTORS

LEWIS M. BORDEN
WALTER M. GLADDING
ALBERT G. MILBANK

ARTHUR W. MILBURN
GEORGE L. NICHOLS

HENRY C. SHERMAN
FRANKLIN D. SHOVE
ROBERT STRUTHERS, JR.

OFFICERS

ALBERT G. MILBANK, *Chairman Board of Directors*
ARTHUR W. MILBURN, *President*
WALTER M. GLADDING, *Vice-President*
SHEPARD RARESHIDE, *Treasurer*
WILLIAM P. MARSH, *Secretary and Assistant Treasurer*
ALBERT T. JOHNSTON, *Assistant to the President*
GEORGE M. WAUGH, JR., *Controller and Assistant Secretary*
STEPHEN J. DEBAUN, *Assistant Treasurer*

EXECUTIVE MANAGERS

ALBERT T. JOHNSTON
CHARLES C. LOBECK

SHEPARD RARESHIDE
WALLACE D. STRACK

GENERAL OFFICES

THE BORDEN COMPANY

350 Madison Avenue, New York City 180 St. Paul Street West, Montreal, Canada

BORDEN'S FARM PRODUCTS COMPANY, Inc.

63 Vesey Street, New York City 120 Murray Street, Montreal, Canada

Transfer Agent, MERCANTILE TRUST COMPANY, 115 Broadway, New York City

Registrar, BANKERS TRUST COMPANY, 16 Wall Street, New York City

Counsel, MASTEN & NICHOLS, 49 Wall Street, New York City

CORPORATE ORGANIZATION AND SCOPE

THE business of your Company may be divided into two parts:

[1] The manufacture and sale of milk products comprising:

CONDENSED MILK	CONDENSED COFFEE AND MILK
EVAPORATED MILK	CONDENSED COCOA AND MILK
DRIED MILK	MILK CHOCOLATES
MALTED MILK	CARAMELS

[2] The purchase, preparation and distribution of fresh milk, cream, and other dairy products by a system of wagon deliveries.



THE manufacturing operations are conducted by The Borden Company (which dates back to 1857 in the production of Eagle Brand Condensed Milk), and its following manufacturing subsidiaries:

<i>Corporate Name</i>	<i>Percentage of Stock Owned</i>
THE BORDEN SALES CO., INC.	100%
BORDEN'S PREMIUM CO., INC.	100%
THE BORDEN COMPANY OF CALIFORNIA	100%
THE BORDEN COMPANY OF UTAH	100%
THE BORDEN COMPANY, LTD. (CANADA)	100%
BORDEN REALTY CORPORATION	100%

THE fresh milk and dairy products distribution in the so-called Metropolitan District of New York City and adjacent territory, in Chicago, Ill., and its suburbs, and in Montreal, Canada, is conducted by Borden's Farm Products Company, Inc., and subsidiaries as follows:

<i>Corporate Name</i>	<i>Percentage of Stock Owned</i>
BORDEN'S FARM PRODUCTS CO., INC.	97.13%
BORDEN'S FARM PRODUCTS CO., LTD. (CANADA)	100.00%
BORDEN'S WEST STOCKBRIDGE CORP.	100.00%

[4]

GENERAL REMARKS

THE outstanding feature of the year 1921 as affecting business generally was the continued and rapid deflation of prices with continued and, in many cases, forced liquidation of inventories.

This was attributable to an over-extended position, both as to production and credits, occurring during the war and as a corrective thereof seeking or forcing markets at a time of lessened needs and decreased purchasing power. All of this is but to say that we experienced one more year of the aftermath of war—a most severe one but one of decided progress.

The volume and value of sales of this Company and the results obtained therefrom were, of course, affected by these conditions. In addition and as affecting the business of its chief subsidiary, Borden's Farm Products Company, Inc., there occurred the strike of November 1, 1921, in the Metropolitan District, and lasting into the present year when in January, 1922, it came to an end by the abandonment by the strikers of the unfortunate and ill-advised position taken by them. The interruption of business thus caused and the extraordinary expense directly attributable thereto had a very great effect on the year's showing since all resulting losses were absorbed in current operations, as was also the further depreciation occurring during the year of inventories of raw materials, supplies and manufactured products. All inventories of December 31, 1921, are valued at cost or market, whichever is the lower.

Adjustments of Balance Sheet items have been made, whether necessary because of the year's developments or to conform to the policies of the Company as determined by the Board of Directors. To the extent that adjustments were not of a current nature and thus properly absorbed as current income charges they have been met by Reserve appropriations and charges to previously created Reserves; after so doing there remains proper and adequate Reserves and Surplus for all purposes of every nature.

Reference to the financial statements appended shows that the Net Income for the year of \$2,924,746.56 amounts to 2.93% on the gross sales of \$99,879,887.14 or 7.2% on the actual capital invested in the business, not including borrowed capital and irrespective of the investment in Trade Marks, Patents and Good Will.

The Trade Name and Trade Marks conservatively valued on the books at \$5,944,442.61 (including Patents) represent over \$2,000,000 cash expenditures.

The Net Income applicable to the Common Stock after charges of every nature,

including depreciation and all taxes and after Preferred Dividends, is equivalent to \$11.45 per share of Common Stock outstanding.

The average Net Income applicable to the Common Stock for a period of the last five years is \$14.64 per share and for a period of ten years \$13.50 per share.

The net Asset Value (not including Trade Marks, Patents and Good Will) of each share of Common Stock outstanding on December 31, 1921, with Property, Plant and Equipment at depreciated values and after allowing for the retirement of all Preferred Stock, was \$125.43 per share.

The Net Asset Value (not including Trade Marks, Patents and Good Will) of each share of Preferred Stock outstanding on December 31, 1921, with Property, Plant and Equipment at depreciated values, was \$467.36.

The Net Income, after charges of every nature, is for 1921 equivalent to \$38.61 per share of Preferred Stock outstanding.

The average annual Net Income for a period of the last five years is equivalent to \$47.69 per share of Preferred Stock outstanding, and for a period of ten years is equivalent to \$44.38 per share.

During the last year the number of Preferred Stockholders was increased by 86 and the number of Common Stockholders by 204, making a total of 1,450 holders of Preferred Stock and 3,715 holders of Common Stock, or a grand total of 5,165 holding both classes. In this connection it is gratifying to note that 814 of the employees now hold stock in the Company, their numbers having increased by 134 during the year.

Current Assets as of December 31, 1921, amounted to \$1.86 for every \$1.00 of Current Liabilities, after all write-offs and adjustments above referred to, which compares with a ratio of \$1.64 of Current Assets for every \$1.00 of Current Liabilities as of December 31, 1920. Current Liabilities were \$9,890,048.73 on December 31, 1921, as compared with \$17,965,228.70 on December 31, 1920.

Bank loans were considerably reduced during the year, being \$4,434,719.18 on December 31, 1921, as compared with \$12,750,000 on December 31, 1920.

Inventories have also been largely reduced during the year, amounting on December 31, 1921, to \$9,613,767.99 as compared with \$19,172,356.82 on December 31, 1920.

The total of Purchase Money Notes was reduced during the year by \$200,000.00, the maturities falling within that period having been paid. The balance of \$200,000.00 becomes due and will be paid in 1922.

The item of Mortgages, assumed in connection with the purchase of our New Madison Avenue property, has been reduced by \$220,000. The balance of this item, \$150,700, represents mortgages assumed in connection with the purchase of certain properties by Borden's Farm Products Company, Inc.

The mortgage on the Madison Avenue, New York, office building, as recorded under Property, Plant and Equipment item, was given by the Borden Realty Corporation as the owner of the building as referred to in more detail in the 1920 report.

Property, Plant and Equipment items have been discussed in detail in previous reports. The increase in this account during 1921 is for the most part represented by the further investment of the Realty Company in the Madison Avenue property, the last section of which will be completed in April of the current year.

The first unit of the building, completed in May, 1921, is over 90% rented and approximately 50% of the last section is already rented for occupancy in May, 1922.

It is becoming more and more evident that this property will prove an excellent investment and that the Company will enjoy a very cheap rental for the space it occupies.

Collections were good and credit losses very small during the year.

In our purchases, advantage was taken of all cash discounts.

New business in domestic markets has been showing steady progress since the first of the current year. Export business is still of very small volume.

With inventories and selling prices still further adjusted and to a level, the recession from which (if any) cannot be as marked as in the last or previous year, our position seems to justify at this time the expectation of a year of satisfactory accomplishment.

Since the termination of the unfortunate strike of November, 1921, previously referred to, an organization has been created in the East as the result of joint consideration by employees and the management of the Farm Products Company, that gives opportunity to the employees for self-expression, and a voice in the conclusions reached as to all matters of vital importance to the workers, thus minimizing the possibilities of misunderstandings. This has been entered into by all parties concerned with marked enthusiasm and in a spirit that gives promise of a degree of co-operation, efficiency and mutual benefit not heretofore attainable.

Aside from the ill-advised and unfortunate action of that group of employees involved in the strike, there has not been a year when greater evidence was given of intelligent interest, co-operation and loyalty on the part of the employees of our organization than was demonstrated during the past year. It is a pleasure to report this and make acknowledgment of its importance as a contributing factor, and particularly so in such unusual times, and when business was conducted under such trying conditions.

Respectfully submitted,

ARTHUR W. MILBURN,
President.

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THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

Consolidated General Balance Sheet, December 31, 1921

ASSETS

Property, Plant, and Equipment, including Madison		
Ave. Office Building	\$27,314,475.82	
LESS: Mortgage on Madison Ave. Office Building	1,400,000.00	
		<u>\$25,914,475.82</u>
CURRENT ASSETS:		
Cash	\$2,716,255.33	
Receivables	4,796,827.98	
Marketable Securities	1,267,696.44	
Finished Goods	4,210,915.52	
Raw Materials, Supplies, etc.	5,402,852.47	
		<u>18,394,547.74</u>
Investment in Capital Stock of Other Companies	6,506,700.00	
Deferred and Suspended Assets	181,611.60	
Trade Marks, Patents, and Good Will	5,944,442.61	
		<u>\$56,941,777.77</u>
TOTAL ASSETS		\$56,941,777.77

TOTAL \$56,941,777.77

THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

Consolidated General Balance Sheet, December 31, 1921

LIABILITIES

Mortgages	\$150,700.00	
Purchase Money Notes	200,000.00	
	<hr/>	\$350,700.00

CURRENT LIABILITIES:

Notes Payable—Bank Loans	\$4,434,719.18	
Accounts Payable	4,064,325.16	
Accrued Accounts, Taxes (estimated), etc.	1,391,004.39	
	<hr/>	9,890,048.73
Deferred and Suspended Liabilities		124,321.25

TOTAL LIABILITIES TO OTHER THAN STOCKHOLDERS	<hr/>	\$10,365,069.98
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CAPITAL STOCK:

The Borden Co., 6% Preferred	\$7,500,000.00	
The Borden Co., Common	21,368,100.00	
Borden's Farm Products Co., Inc., 7% First Preferred	417,700.00	
	<hr/>	\$29,285,800.00

RESERVES:

Depreciation	\$5,162,732.46	
Insurance, Contingencies, etc.	6,407,301.44	
	<hr/>	11,570,033.90

SURPLUS	<hr/>	5,720,873.89
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TOTAL CAPITAL STOCK, RESERVES, AND SURPLUS	<hr/>	\$46,576,707.79
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TOTAL	<hr/>	<hr/>
		\$56,941,777.77

THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

Statement of Consolidated Income and Profit and Loss for the Year Ended December 31, 1921

GROSS SALES	\$99,879,887.14
NET OPERATING PROFIT:	
(After deducting all operating charges, including Depreciation, Insurance, and Property Taxes)	\$3,367,275.44
OTHER DEDUCTIONS:	
Interest—Net	\$346,604.18
Income and Profits Taxes (estimated).	95,924.70
	<u>442,528.88</u>
NET INCOME	\$2,924,746.56
SURPLUS, January 1, 1921	6,604,777.29
	<u>TOTAL \$9,529,523.85</u>
LESS:	
DIVIDENDS:	
The Borden Company, Preferred 6%	\$450,000.00
The Borden Company, Common 8%	1,709,440.00
Borden's Farm Products Company, Inc.,	
First Preferred 7%	29,239.00
	<u>Total Dividends \$2,188,679.00</u>
Appropriations for Reserves—Net	1,506,609.86
Loss on Property and Securities Sold	113,361.10
	<u>3,808,649.96</u>
SURPLUS, December 31, 1921	<u>\$5,720,873.89</u>

ATLANTA
BALTIMORE
BOSTON
BUFFALO
CHICAGO
CINCINNATI
CLEVELAND
DALLAS
DENVER
DETROIT
KANSAS CITY
LOS ANGELES
NEW ORLEANS
NEW YORK

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

37 WEST 39TH STREET

NEW YORK

PHILADELPHIA
PITTSBURGH
PORTLAND
SAINT LOUIS
SALT LAKE CITY
SAN FRANCISCO
SEATTLE
TULSA
WATERTOWN
—
HAVANA
LONDON
PARIS
SHANGHAI

THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

CERTIFICATE OF AUDIT

WE have audited the books and accounts of The Borden Company and its Subsidiary Companies for the year ended December 31, 1921.

We have verified the accounts representing cash and securities either by examination of such assets or by obtaining certifications of depositaries.

The charges to property accounts have been controlled by a conservative policy. Adequate reserves have been provided for depreciation of property and for possible losses, and full provision has been made for all known liabilities.

The inventories of finished goods and raw materials and supplies represent book balances as shown by the inventory records, which are adjusted from time to time to agree with physical inventories, and which were examined and appear to be correct, all inventory valuations being based upon cost or market, whichever was lower.

WE HEREBY CERTIFY that, in our opinion, the accompanying Consolidated General Balance Sheet and Statement of Consolidated Income and Profit and Loss correctly exhibit, respectively, the financial condition of the Companies at December 31, 1921, and the results of their operations for the year ended that date.

HASKINS & SELLS

New York, March 15, 1922

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